Ad watch

Drug chain promotional prices in major cities

Oral B toothbrush	**As seen in**	
Fay's	$0.84	Upstate N.Y. papers
Clark	0.99	Los Angeles Times
Hook's	1.00	Indianapolis Star
Dart	2/1.99	Washington Post
Gillette Atra blades 5's		
Fay's	$1.57	Upstate N.Y. papers
Peoples	2/1.99	Washington Post
Page	1.47	Dallas Morning News
Revlon Flex shampoo or conditioner 16 oz.		
Fay's	$1.59	Upstate N.Y. papers
Thrift	1.49	Supplement
Peoples	1.69	Washington Post
Standard Drug	1.69	Richmond (Va.) Times-Dispatch
Dart	2/3.00	Washington Post
Kodak Disc film		
Fay's	$1.99 (Single)	Upstate N.Y. papers
Eckerd	2.19 (Single)	Miami Herald
SupeRx	4.00 (Twin)	Cincinnati Enquirer
Osco	3.99 (Twin)	Chicago Tribune
Aqua Net hair spray 9 oz.		
SupeRx	$1.09	Cincinnati Enquirer
Osco	0.99	Chicago Tribune
Hook's	1.00	Indianapolis Star
Vaseline Intensive Care Lotion 10 oz.		
Fay's	$1.49	Syracuse Herald American
Standard Drug	1.39	Richmond (Va.) Times-Dispatch
Big B	1.22	Alabama supplement
Gray	2/2.89	Supplement
Dart	1.49	Washington Post
Peoples	1.49	Washington Post
Crest toothpaste 6.4 oz.		
Fay's	$1.34	Syracuse Herald American
Thrift	1.39	Supplement
Dart	1.39	Washington Post
Vaseline Petroleum Jelly 7.5 oz.		
Fay's	$1.39	Syracuse Herald American
Standard Drug	1.44	Richmond (Va.) Times-Dispatch
Gray	2/2.89	Supplement
Peoples	1.57	Washington Post
Contac caps 10's		
SupeRx	$1.79	Cincinnati Enquirer
Thrifty	1.79	Los Angeles Times
K&B	1.98	New Orleands Times Picayune
Old Spice stick 2.5 oz.		
Gray	2/$2.99	Cleveland Plain Dealer
Walgreens	1.39	Chicagoland supplement
Dart	2/2.29	Washington Post
Drixoral 10's		
Eckerd	$1.49	Miami Herald
Page	1.67	Dallas Morning News
Gray	2/3.89	Supplement
Selsun Blue shampoo 11 oz.		
Thrifty	$4.39	Los Angeles Times
Hook's	3.99	Indianapolis Star
Peoples	3.99	Washington Post
Ascriptin 100's		
Eckerd	$1.99	Miami Herald
K&B	2.15	New Orleans Times Picayune
One-A-Day vitamins 60's		
Peoples	$3.79	Washington Post
Eckerd	2.99	Miami Herald
Snyder	2.99	Supplement
Carls	2.48	Syracuse Herald American
Sassoon D shampoo 8 oz.		
Peoples	$2.29	Washington Post
Thrift	1.89	Supplement
Walgreens	2.59	Chicagoland papers
Coca-Cola 2-liter		
Gray	$1.09	Cleveland Plain Dealer
Hook	0.99	Indianapolis Star
Osco	0.99	Chicago Tribune
Carls	0.97	Syracuse Herald American

Pay Less NW to build warehouse

Continued from page 1

pabilities of such long-time centralized chains as Walgreens, Rite Aid and Revco."

The fulcrum of the distribution center is its high degree of automation, with many technological advances. For example, a unique piece of equipment is the "4 to 1 merge," first of its kind in the country. It consolidates conveyable cases from all departments, at four operating levels, into a single file that feeds into a tilting slat sorter. The sorter runs at 285 ft. per minute and has an output of 115 cases per minute. The conveyorized average output is 40,000 cases per shift.

Ninety-six per cent of the output of this facility is fully conveyorized—from receiving through sortation, staging and shipping. Trailers are unloaded in the receiving department directly to a conveyor system that ties in with the sorting and shipping systems. Two full carloads can be unloaded simultaneously into the same system.

In addition, a system was designed that tracks every case from the time it is placed onto a picking belt until it is discharged into one of the 54 shipping lanes.

The warehouse holds 36,000 pallets stacked eight high and serviced by a fleet of wire-guided turret trucks. There are 10,000 pallets located in the order-picking area adjacent to conveyor belts.

The hand-stack department covers 60,480 sq. ft., and the repack department has 32,600 linear feet of shelving. Storage area for nonconveyable merchandise (baby furniture, bicycles, mops, brooms, pet food, etc.) covers more than 20,000 sq. ft.

Revco healthy despite economy

Continued from page 3

was also favorable, Hudson said, as inventory levels, as well as selling, general and administrative costs rose at rates below the rate of sales growth.

Hudson said proceeds from Revco's recently announced plan to issue 900,000 shares of common stock will be used to pay off $10 million in remaining long-term debts, and more importantly, "will increase the company's future financing flexibility. In particular, it will enable us to raise permanent capital to help fund internal growth in a changing financial and real estate market," he said.

Major capital improvements already under way at Revco include a $5 million expansion of the company's Twinsburg, Ohio headquarters, as well as a new $15 million plant for the company's Carter-Glogau manufacturing subsidiary, a producer of injectable drugs.

Dworkin said the company's goal of boosting retail square footage by 10% annually will not be met in fiscal 1983, primarily because Revco will not lower its stringent site selection criteria. "Expansion alone is not our intent," he said. "We want to expand profitably so we are going to maintain our strict selection standards," he said.

The company has acquired or opened 50 new stores so far in fiscal 1983, boosting its total store count to 1,639 units in 28 states. Store remodelings will total 200 this fiscal year, more than twice the number in any previous year. Dworkin said 52% of Revco stores are new or have been substantially remodeled during the past five years.

Pharmacy computers, now operational in nearly 100 Revco stores in Ohio and Michigan, should be installed in another 180 stores by mid-1984, Dworkin said. While pharmacy terminals greatly streamline in-store prescription operations, their major benefit is the communication link they provide between store and corporate headquarters, he said.

Revco's eight-store experiment in the close-out merchandise business, a joint venture with New York City's Odd-Lot Trading Co., also received good marks from Dworkin. "These stores are performing well and we believe this type of retailing could offer a viable diversification route for Revco," he said. Up to a dozen more Odd-Lot stores may open by year end.

Flu outbreak hikes cough/cold sales

Continued from page 1

we had last year shut us down and kept people out of the stores," he added. "Not only weren't they buying, but the flu wasn't spreading as quickly."

As a result, Peoples' sales growth figures this year will be especially dramatic.

In St. Louis, though, weather played a different part. Medicare-Glaser's director of professional services, Ken Anderson, said, "We've had a pretty mild winter here so far. Our antibiotics are not moving very well, which indicates to me that the flu season is not responsible for our upward volume movement in the drug department."

Back in the East, a spokesman for Rea and Derick, Northumberland, Pa., explained, "Up to now, sales have been pretty soft for the cold and flu products. But in the first two weeks of February, our antibiotics and cough syrups really seemed to move out of the distribution centers, and that's always a good indicator for us that sales are picking up."

At Perry Drug Stores, Pontiac, Mich., sales are up for flu-type prescriptions (antibiotics) and OTC cough/cold remedies because of the unusually big 1983 flu season.

And Melville, N.Y.-based Genovese reported a 10% increase in flu product sales this year.

To date, only the type A Bangkok flu strain has been isolated in this season, while in 1981-82 the flu was attributed primarily to the type B Singapore strain.

The Center for Disease Control explained that both types are covered by the flu vaccine currently available, but this vaccine immunity lasts only about one year. Consequently, immune-compromised patients should receive new immunization annually.

Video games eyed at Toy Fair

Continued from page 3

(Return of the Jedi will be showing this summer), Chipmunks and Cabbage Patch Kids.

"We didn't see a whole lot of new things," reported Kerr Drugs' buyer, Bill Baxley. "But we do still feel strongly about licensed products, and I think Return of the Jedi will be good."

Baxley and other buyers are not concerned about an overabundance or shake out of licensed goods. They feel that licensed items are important to the mix because of higher margins and lesser promotion costs.

For instance, Michele Miller, buyer for Melville, N.Y.-based Genovese Drugs, is banking on the Chipmunks theme. "The kids love them and the manufacturer is putting money behind it—I think it will be a hit."

Miller was also interested in low-end toys to round out her mix, including wind-ups and board games, which she feels will show some resurgence in 1983.

These impulse items were also on the minds of buyers, such as those from K&B, who believe most drug store toy purchases are made on impulse. These items, they feel, are "shut up" toys, a term used to describe a tactic used by mothers to quiet children during shopping trips.

Trim-a-tree became more important this year, and many chains sought to replenish their stocks. Harco Drug's Keith Connell, for example, plans to increase the chain's inventory in the category. He says that chains can upgrade their tree selection, and he was interested in a new tree, which is softer and more realistic than others on the market. Last year, Harco had four trees priced in the $9 to $30 range, and he thinks it is time to carry a "step up" tree.

Connell, as well as other chain spokesmen, reported a brisk sell-through on trim-a-tree last year, the first in several years.

Answer to Nostalgia Quiz: Eckerd of Florida, Jack Eckerd

PDS to revise drug interaction guide

ST. LOUIS—Stuart Bascomb, vp and coo of Professional Drug Systems Inc. (PDS), a subsidiary of Medicare-Glaser Corp. announced an agreement between PDS and the American Pharmaceutical Association to develop and produce the third and subsequent issues of the Evaluation of Drug Interactions. The APhA had previously published this reference book itself.

"We [at PDS] are probably better equipped to revise the E.D.I. than anyone since we have been updating the interactions for our own use since 1977," explained Bascomb.

Currently PDS provides the MEDICOM Drug Interaction Database to users in all areas of health care. The data base is equipped to receive requests for interaction searches and then flag interactions of drugs to allergies, drugs and food, between prescription drugs and OTC medications as well as between two prescription drugs.

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CHAIN STORE AGE
MERCHANDISER

Retailers crave sweeter candy sales—p. 23

DRUG STORE NEWS®

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Drug stores win hospital Rx price battle

WASHINGTON—The Supreme Court wiped away nearly 50 years of Robinson-Patman Act cobwebs and ruled that drug manufacturers may not offer discriminatory price concessions on pharmaceuticals sold to state and local hopsital pharmacy outpatient dispensaries.

The narrow, 5 to 4 court ruling marks a major legal victory for drug store retailers who have argued for years that the deep discounts offered by pharmaceutical manufacturers to competing hospital pharmacy outpatient departments violate the Federal antitrust laws.

An earlier, 1976 Supreme Court decision involving the Portland Retail Druggists Association granted retail pharmacies a partial victory by holding that private nonprofit hospital pharmacy outpatient departments are indeed covered by the Federal Robinson-Patman antiprice discrimination law. But that same Portland ruling permitted pharmaceutical manufacturers to continue offering discretionary price cuts to state, county and municipal hospital pharmacies which dispense Rx's in direct competition with chain and independent drug stores.

The new Supreme Court ruling closes that loophole by agreeing with the Jefferson County (Alabama) Pharmaceutical Association that Congress never intended to exempt state and local governments from the Robinson-Patman ban on price discrimination.

"The legislative history [of the R-P Act] is replete with references to the economic evil of large organizations purchasing from other large organizations for resale in competition with small local retailers," the Court's majority concluded. "There is no reason, in the absence of an explicit exemption, to think that Congressmen who feared these evils intended to deny small businesses, such as the pharmacies of Jefferson County, Alabama, protection from the competition of the strongest competitor of them all."

That ruling reversed a series of lower court decisions and leaves the 13 pharmaceutical manufacturer defendants in the case vulnerable to treble-damage antitrust judgments.

But the real losers will be the nation's state and local government-run hospitals which for decades have grown accus-

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Drug store execs cheer Robinson-Patman update

NEW YORK—Drug store retailers expressed satisfaction over the Supreme Court decision that prohibits manufacturers from offering discriminatory discounts on pharmaceuticals intended for sale in state and local hospital outpatient pharmacies.

"This decision is great," said Wyatt Williams, director of pharmaceuticals at Harco Drug, Northport, Ala. "We couldn't compete with the hospitals' ability to purchase in quantity. This puts them on an even footing with us."

Steve Roath, vp and director of professional affairs at Longs Drug Stores, said that Longs had had some success in dealing with the price discrimination situation by alerting manufacturers about hospitals selling pharmaceutical products to outpatients.

"It is my understanding that manufacturers intended the discounts for nonprofit organizations," Roath said. "We've been minimally successful with letters. Now there will be some legal recourse."

Other retailers said the new ruling would bring back some of the business that had been lost to hospital satellite clinics offering pharmaceuticals to outpatients.

"A few of our marketing areas, especially Spokane and Seattle, have a high concentration of medical facilities, and naturally this decision will have a beneficial effect," said John Snyder, a Pay 'n Save spokesman. "Competition will be fair."

According to another source, "This decision will curb these satellite pharmacies. It has gotten so that anybody in the world can open a pharmacy."

Chain drug profits lead retail upturn

NEW YORK—Drug chains are leading the retail recovery with latest quarter results showing earnings gains averaging 25%.

At the same time, chain drug stocks have been going wild, jumping 17% for the 17 public drug chains during the month ended March 3 on top of a 70% jump for all of 1982.

While drug chains have long been considered recession-resistant, less consumer spending and more cherrypicking last year took a toll on profit margins, causing chains to slim down inventories and cut other expenses in order to bolster profits.

These cost-cutting moves, plus the beginnings of a spending recovery, have left most chains in a strong financial position for the remainder of 1983.

At Perry Drug, for example,

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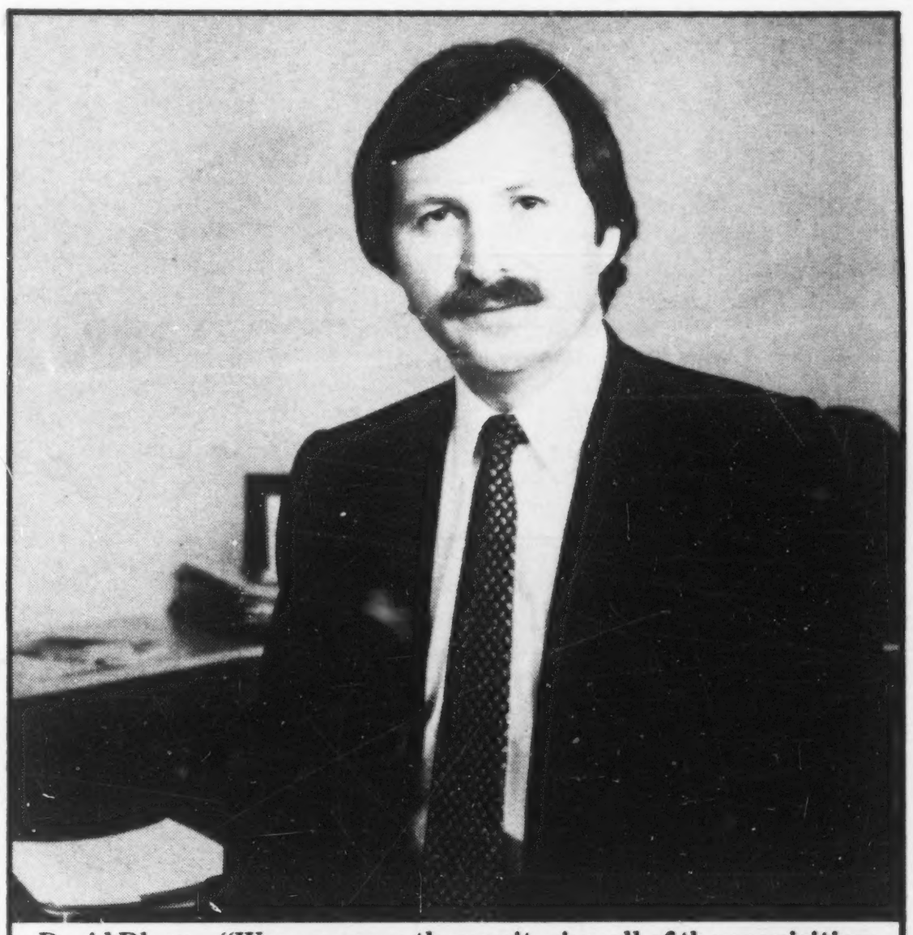

David Bloom: "We are currently monitoring all of the acquisition opportunities in the United States."

New SDM prez aims to double store count

TORONTO—With its first billion dollar sales year now history, Canadian drug store giant Shoppers Drug Mart has announced plans for an aggressive expansion program aimed at doubling the chain's store count and sales by 1990.

A realigned management team, headed by new SDM president and ceo David Bloom, 39, will spearhead the campaign, which company officials indicate will involve the acquisition of one North American drug store chain. Bloom succeeds Jack Gwartz, who has been named vice-chairman.

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Storm gathers over co-pay plan

BALTIMORE—Federal health care cost-cutters issued final new Medicaid cost-sharing regulations which could force participating drug stores to bear the expense of Rx drug "copays" for millions of indigent patients.

The new Health Care Financing Administration Medicaid (H.C.F.A.) copayment rules have already generated a storm of protest from chain and independent retail pharmacy groups. They are concerned that regulations requiring drug stores to absorb all cost-sharing expenses for poor patients may force thousands of pharmacies out of the program altogether.

"This new copay requirement is simply outrageous," a spokesman for the National Association of Chain Drug Stores told *Drug Store News*, adding that the association's board of directors has assigned "top priority" to securing relief from the new regulations.

NACDS—along with other drug store industry trade groups—was preparing a detailed written filing protesting the new H.C.F.A. rule at presstime. Since the Medicaid copay rules were issued in final form without notice to the industry, however, it's questionable whether those protests will car-

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CE lesson postponed

Because of editorial problems, the continuing education lesson "Lupus Erythematosus—Idiopathically Induced," which was scheduled to appear in this issue, has been rescheduled for the next issue, April 4.

Perry drops leased Rx depts. in three states

Although Perry closed its 13 leased drug departments, fiscal 1983 calls for an addition of 12-15 units, many of which will be combination auto centers, according to Jack A. Robinson, president and ceo.

By Faye Brookman

PONTIAC, Mich.—Perry Drug Stores has completed its exit from Nebraska, Texas and Oklahoma with the closing of 13 leased departments located in Treasure City discount stores.

At the same time, Perry has announced it will disclose plans for a new retailing venture at its annual meeting this month. Industry sources speculate the company will either enter the deep discount field or use its auto department experience to launch freestanding auto stores.

The leased departments, acquired in 1980 as part of the DeKoven Drug deal, closed simultaneously with the Treasure City units that parent company Whitney Stores began shuttering last November.

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— News in brief —

Chains urge tough stance on RPM

WASHINGTON—Revco and a cross-section of other top retail chains used the Reagan Administration to "rein in" Justice Department resale price maintenance advocates during a top-level White House summer conference.

The chain leaders called on the Administration to pressure Justice antitrusters to withdraw their Supreme Court petition for a drastic change in the law governing Fair Trade-style RPM activities by manufacturers.

Officials from Revco and other "price-oriented" chains also urged the White House to squelch separate plans by the department to propose new Federal legislation under which resale price fixing conspiracies would no longer be considered automatic violations of the Federal antitrust law.

Chains providing refunds on Zomax

NEW YORK—An industry spot-check shows that drug chains including Walgreens, Eckerd and Gray Drug Fair are providing refunds on unused portions of Zomax, the analgesic prescription drug recalled by McNeil Pharmaceutical Co. McNeil will reimburse pharmacies that provide refunds to consumers.

The company has withdrawn the drug in order to strengthen warnings and precautions as a result of five reported deaths from anaphylactic reactions among 15 million people who have used the product, a nonsteroidal anti-inflammatory agent developed as an analgesic.

Pay 'n Save sells 3 units to Bill's

SEATTLE—Pay 'n Save has sold three drug stores in the area north of San Francisco to Bill's Drug, an 18-store chain based in Lafayette, Calif. The sale was for an undisclosed amount of cash.

"These three stores are located on the periphery of our marketing area in California," said Cal Hendricks, vice chairman of the Pay 'n Save board. The sale leaves the company with 17 outlets in California.

Sav-On to open 1st combo

MERCED, Calif.—Sav-On's first food/drug combo, scheduled to open in September 1983, will be in the Olivewood Shopping Center. Sales are projected at $15 million annually.

The Sav-On combo (46,500 sq. ft.) will anchor one end of the shopping center. The other end will be anchored by Gottschalk's 60,000-sq.-ft. department store. Gottschalks will open by May 1983.

Other tenants in the center include Hallmark Cards, Gazebo Pizza, Clothes Time Women's Wear, Kids Mart, Valley Pet Center, and Darla's Hot Dogs.

Merced is 50 miles north of Fresno or about 200 miles north of Los Angeles.

Pay Less to warehouse legend drugs

WILSONVILLE, Ore.—For the first time in its 40-year history, Pay Less NW will warehouse legend drugs. Six to 8 thousand sq. ft. in Pay Less' present warehouse will be set aside for pharmaceuticals, beginning in the fall of 1983.

Noel Flynn, Pay Less' senior vp-pharmacy, told *Drug Store News* that "pharmaceuticals will be set up as a profit center with these objectives: better inventory/control, better utilization of manufacturer products and better utilization of generic selections."

He added "we have not yet determined our inventory investment or the number of sku's."

Flynn also denied that the move to warehouse pharmaceuticals was related to Pay Less' new 200,000-sq.-ft. warehouse, opening in 1984. The new warehouse, to be used primarily for ad merchandise, will free up space in Pay Less' regular warehouse (500,000 sq. ft. of floor space plus 208,000 sq. ft. of mezzanine).

Currently, Pay Less NW operates 147 stores in Washington, Oregon, Idaho, California and Nevada.

Winner of Nostalgia Quiz #20 chosen

L. A. Fehring of SupeRx Drugs in Cincinnati is the winner of $100 in *Drug Store News*' 20th Nostalgia Quiz. The answer to the question was Hook Drugs Inc. Nostalgia Quiz # 23 can be found on page 36 of this issue.

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Vol. 5, No. 6 March 21, 1983

New regional distribution ctr. readied by SupeRx in Indiana

BLUFFTON, Ind.—Drug, health and beauty and general merchandise products for nearly 200 SupeRx drug stores will soon be moving off the docks of a new 381,000-sq.-ft. distribution center here, the fourth such regional facility to service the chain's growing network of stores.

Scheduled to open May 1, the eight-acre building will link all but a handful of Phoenix-area SupeRx stores into a centralized distribution system serviced by Peyton Inc., the Louisville-based nonfoods distribution arm of the Kroger Co. SupeRx Drug Stores, like Peyton Inc., is a wholly owned Kroger subsidiary.

Peyton's Northern Distribution Center here will supply 85% of the pharmaceutical, OTC, H&BA and general merchandise inventory of the SupeRx stores it serves, eliminating their reliance on wholesalers, as well as most direct-store and jobber deliveries.

SupeRx joined McKesson Drug's Full Purchase program in January 1980, shortly after Peyton's first nonfoods distribution center in Melbourne, Fla., opened. The favorable impact of the Melbourne facility on operational costs and inventory control convinced SupeRx to proceed with plans for a company-owned distribution system to replace its 20-year direct-buy procurement program. The Full Purchase Program was developed by McKesson and SupeRx as an interim distribution program, pending completion of other regional facilities.

The Bluffton center will service SupeRx stores in Indiana, Illinois, Michigan, Ohio and Kentucky, as well as the chain's larger Sav-On stores in New York, New Jersey and Connecticut. It will also supply similar merchandise to nearly 400 Kroger food stores in several North Central states. SupeRx stores in Florida and most other Southern states are currently serviced by Peyton distribution centers in Melbourne, Fla., Cleveland, Tenn., and Louisville, Ky.

New technology

Paul Murphy, Peyton's vp for operations, described the new facility as a "very traditional double-deck flow rack picking system" that resembles the company's other recently opened distribution centers. In fact, swing reach fork lifts guided by in-floor electrical wires are the facility's major "high tech" ingredient, he said.

"Compared to our Melbourne, Fla., facility, now four years old, this is high tech," he said. "But compared to some of the new automatic pick warehouses, it's low tech. We think we have as cost-effective a warehouse with the right mix of technology and people as is possible," he said.

Conclusions

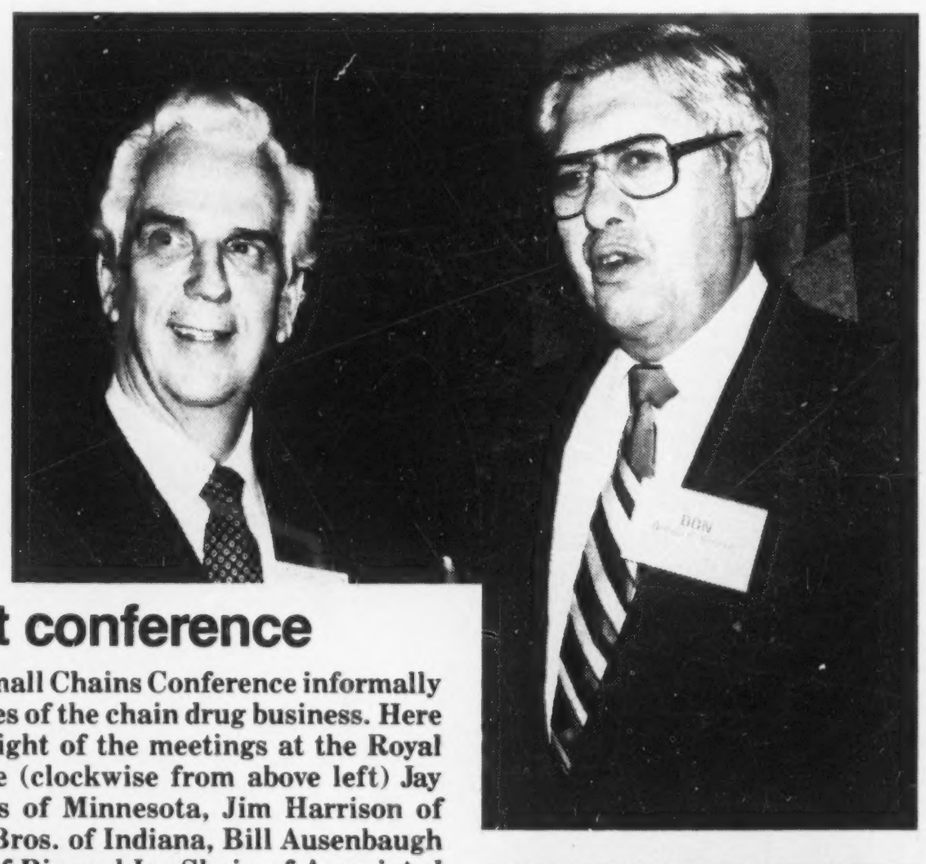
Up to 330 persons will be employed at the distribution center by next September, the projected date for completion of its phase-in.

Although some SupeRx stores are more than 700 miles from Bluffton, their locations provide "excellent back haul opportunities," Murphy said.

Located on a former soybean field in this northeastern Indiana community of 8,500, the site represents "the most practical location closest to the tonnage center of the stores to be serviced," Murphy said.

SupeRx stores will continue to relay weekly MSI orders via telephone to the chain's central computer in Cincinnati. From there, orders will be relayed to the distribution center, where picking tickets are printed and filled. As with other Peyton facilities, SupeRx merchandise is price-marked before leaving the warehouse.

The $10 million facility was financed by Peyton Northern with reduced-interest industrial revenue bonds.



Socializing at conference

Executives at the 1983 NACDS Small Chains Conference informally compared notes on the performances of the chain drug business. Here at the reception during the first night of the meetings at the Royal Sonesta Hotel in New Orleans are (clockwise from above left) Jay Gunderson of Thrifty Drug Stores of Minnesota, Jim Harrison of Harco, Don R. Keltsch of Keltsch Bros. of Indiana, Bill Ausenbaugh of Ribordy, Richard L. Weinberg of Rix and Ira Shain of Associated Drug Stores.

McKesson growth aided by FTC ruling

SAN FRANCISCO—When the Federal Trade Commission announced it had modified the 1967 consent agreement with Foremost-McKesson, thereby easing restrictions on future acquisitions, it signalled a change in the way McKesson will grow.

"Until now," says a McKesson exec, "we have grown internally. Now we can also grow by acquisition."

In modifying the 1967 consent agreement (brought about when Foremost Dairies Inc., acquired McKesson and Robbins Inc., in 1966), the FTC deleted a requirement in the order that Foremost-McKesson obtain FTC approval before acquiring an interest in any company that manufactures drugs, sundries or related products.

Although McKesson is the largest drug wholesaler in the United States, there are areas in the country which are voids in its national distribution network. These include the following states: Idaho, Wyoming, New Mexico, South Dakota, Iowa, Louisiana, Indiana, Maryland, Delaware, New Jersey, Vermont, Maine and New Hampshire.

McKesson has not indicated any priorities in filling the geographic gap. However, knowledgeable drugmen say that the Northeast corridor—between Virginia and New York—will be high on the list.